



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

Matter of: Rotary Furnishing Company

File: B-277704

Date: November 13, 1997

Lyle M. Ishida, Esq., Tom & Petrus, for the protester.
Marian E. Sullivan, Esq., Department of the Air Force, for the agency.
Charles W. Morrow, Esq., and James A. Spangenberg, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Agency's cancellation of solicitation for refurbishing mattresses and box springs is permissible where agency no longer has a need for refurbishing the items because it has determined that the government's interests will be better served by purchasing new mattresses and box springs.

DECISION

Rotary Furnishing Company protests the cancellation of request for proposals (RFP) No. F6231-97-R-0085, issued by the Department of the Air Force, Kadena Air Base, Okinawa, Japan, for refurbishing and cleaning mattresses and box springs.

We deny the protest.

The RFP, issued January 13, 1997, contemplated the award of a fixed-price requirements contract for a 6-month base period with four 1-year options. The award was to be made on a best value basis considering the following equally weighted criteria: (1) price, (2) technical understanding of the performance work statement, and (3) past performance. The RFP required offerors to submit a detailed breakdown of costs.

On the February 7 closing date, the Air Force received proposals from Rotary and Aishii Bed Company, the incumbent contractor. The Air Force's preliminary evaluation found that Rotary failed to submit the requested cost breakdown. After Rotary provided more complete cost information, the Air Force conducted discussions with that firm and Rotary was asked to explain several areas in its proposal that the agency considered to reflect excessive costs and to explain why its proposal was significantly higher priced than a previous proposal it had submitted. The record indicates that Rotary offered several explanations to justify its costs, but did not provide what the agency considered to be sufficient evidence to determine that Rotary's costs were reasonable.

Following discussions and issuance of an RFP amendment, which, among other things, deleted certain requirements for cleaning and sterilization, the offerors submitted revised proposals. Aishii submitted the lowest-priced proposal of 269,878,050 yen, and Rotary submitted a proposal priced at 480,319,000 yen. The government estimate was 290,883,456 yen. The Air Force requested best and final offers (BAFO) be submitted by April 1; in their BAFOs, neither Aishii nor Rotary changed its price.

On April 17, the Air Force canceled the solicitation because Aishii, though it had submitted the lowest price, was found to be nonresponsible and because Rotary's price was considered unreasonably high--it exceeded the government estimate by an unacceptable margin and was above what the Air Force considered to be the maximum allowable cost for refurbishment of the items. Because the price of refurbishing the items appeared to be so high, the Air Force decided to fulfill its now-urgent requirements by purchasing new mattresses from Federal Prison Industries, and the Air Force reports that it is thus acquiring new mattresses at a price only slightly higher than that proposed by Rotary for refurbishing old ones.

After the Air Force denied its agency-level protest, Rotary filed this protest objecting to the cancellation. Rotary contends that the cancellation was improper because the Air Force allegedly conducted misleading discussions by not informing Rotary that its overall price was unreasonably high. Further, Rotary contends that the Air Force relied upon an erroneous and unreasonably low government cost estimate to determine Rotary's price to be unreasonably high, in that the estimate assertedly underrepresented the number of employees necessary to accomplish the work. Finally, Rotary maintains that in determining the maximum allowable cost of repair, which involved a comparison of Rotary's price against the cost of purchasing new mattresses, the Air Force did not consider certain costs that would be incurred if new mattresses are purchased.

Cancellation of an RFP after receipt of proposals is warranted where an agency determines that it is not in the best interest of the government to proceed with a particular procurement. See Federal Acquisition Regulation § 15.608(b)(4); Color Dynamics, Inc., B-236033.2, Oct. 27, 1989, 89-2 CPD ¶ 391 at 2-3, aff'd, B-236033.3, Dec. 22, 1989, 89-2 CPD ¶ 583 (agency properly determined it was in the best interest of the government to cancel and recompet a solicitation for the following year in the expectation of receiving lower prices and accomplishing the required work at a lower cost to the government). A material change in an agency's minimum needs or a reassessment of its minimum needs that results in an agency no longer having a requirement for an item can be a proper basis for canceling a RFP, even if this reason is not clear at the time of cancellation. See Peterson-Nunez Joint Venture, B-258788, Feb. 13, 1995, 95-1 ¶ 73 at 4-5.

Here, the Air Force essentially determined that, in light of the high cost of refurbishing mattresses relative to the price of purchasing new ones, it no longer

has a requirement for refurbishing mattresses. The agency reports that Rotary would have needed to reduce its price by at least 35 percent in order to offset the benefits associated with purchasing new mattresses. In our view, it is reasonable for the agency to conclude that it would prefer to purchase new mattresses, unless refurbishing old ones can be done at a much lower price. To the extent that Rotary is correct in arguing that refurbishing mattresses necessarily costs substantially more than the agency estimated, this argument merely underscores the reasonableness of the agency's decision to purchase new mattresses, rather than have old ones refurbished.¹ Since Rotary has not suggested that (even if it had understood from the discussions that the agency found its price unreasonably high) it would have reduced its price by anything close to the amount that the Air Force believes necessary to justify refurbishing old mattresses--and, indeed, Rotary's primary contention is that its price was reasonable--we find the Air Force's cancellation to be unobjectionable.

The protest is denied.

Comptroller General
of the United States

¹Although Rotary complains that the Air Force has not factored in certain costs associated with acquiring new mattresses, those costs (the amount of which the parties dispute) do not mean that the Air Force was unreasonable in determining that purchasing new ones was worth the additional cost. In our view, in light of Rotary's price for refurbishing used mattresses, the agency could reasonably conclude that it was preferable to acquire new ones. In fact, the record suggests that, had the agency known how much refurbishing old mattresses would have cost, it might never have considered any course of action except the purchase of new ones.